

DATE: June 15, 1999

MEMORANDUM TO: Arleas Upton Kea
Director, Division of Administration

FROM: Stephen M. Beard
Director, Office of Congressional Relations and Evaluations

SUBJECT: *Evaluation of the FDIC Headquarters Copier Administration Program (EVAL-99-004)*

This report presents the results of the Office of Congressional Relations and Evaluations' review of the subject program. Our office performed this review at the request of the Associate Director, Acquisition and Corporate Services Branch (ACSB).¹ The objectives of our review were to evaluate FDIC headquarters (HQ): (1) copier management program and (2) copy center operations, and make recommendations for improving their economy and efficiency.

Following a 1997 internal review of the HQ copier program, the Corporate Services Branch (CSB) reduced its copier inventory and downgraded some copier models to more closely match actual usage. However, we found that FDIC HQ convenience, production, and color copiers were still significantly underutilized, FDIC was paying too much for copiers on a per copy basis, and other lease and ownership alternatives existed that could potentially save FDIC millions of dollars. We estimated that FDIC could save \$6.6 to \$9.3 million over a 5-year period under the various alternatives for convenience and production copiers presented in this report and by outsourcing copy center staffing functions. Specifically, we found:

- On average, 78 percent of FDIC HQ convenience copiers and 80 percent of FDIC HQ production copiers were operating at less than 40 percent of their optimal monthly volume levels.
- FDIC was paying about \$.06 per copy for its HQ convenience copiers. A General Services Administration (GSA) representative indicated that agencies should spend no more than \$.03 per copy. A copier consultant indicated that a target cost-per-copy (CPC) rate of \$.02-\$.03 was realistic and acceptable.
- FDIC was paying about \$.04 per copy for its HQ production copiers. If these machines were used at their intended capacity, FDIC would have been paying less than \$.009 per copy.
- Copier lease and ownership alternatives existed that could better suit FDIC needs and reduce Corporation expenses. Over a 5-year contract period, we estimated FDIC HQ could save:

¹ On March 5, 1999, the functions and staff of the Acquisition Services Branch and Corporate Services Branch were combined into the Acquisition and Corporate Services Branch within FDIC's Division of Administration.

- \$3.5 to \$6.2 million associated with its convenience copiers under the various programs presented in this report.
- \$2.56 million associated with its production copiers based on an alternative program presented in this report and largely maintain its existing copier volume capacity.
- \$532,000 by phasing-in contractor employees over a 5-year period as FDIC copy center employees leave the corporation.
- We concluded that opportunities also exist for FDIC to more closely align its HQ color copiers with color copier demand and to place less expensive color machines in its offices based on that demand.

We provided DOA a draft of this report on May 3, 1999. DOA provided a written response to the draft report dated June 4, 1999. DOA agreed with all of our recommendations and provided the requisite elements of a management decision for each of the eight recommendations. DOA's written response is included in its entirety as Appendix II of this report. Appendix III presents our assessment of management's response and shows that we have a management decision for each of the eight recommendations.

Our draft report presented a number of alternative programs for managing the HQ copier program. FDIC's written response indicated that DOA had decided to use the Franchise Business Activity (FBA) to provide convenience and production copiers and key operator staffing. We estimated and management agreed that FDIC could save \$6.1 to \$6.5 million over a 5-year contract period by selecting one of the FBA alternatives. Moreover, the response indicated that DOA would closely review copy center staffing and the use of contractor staff. We believe FDIC could achieve additional savings by phasing-in contractor staff as existing FDIC copy center employees leave the Corporation.

Further, on May 13, 1999, we provided ACSB a draft memorandum discussing the cost and utilization of color copiers at FDIC's 550 building copy center. On May 24, 1999, ACSB responded to the memorandum and agreed with our recommendation to cancel the lease to ownership plan (LTOP) for one of the color machines. In our June 8, 1999 final memorandum, we estimated and management agreed that FDIC would save \$243,878 over the 5-year term of the LTOP agreement by canceling the contract.

Accordingly, we will report funds put to better use in the amount of \$6.3 to \$6.7 million in our *Semiannual Report to the Congress*.